



## **AGENDA**

**Committee on Ways and Means**  
**Wednesday, February 17, 2016 @ 8:15 a.m.**  
**10<sup>th</sup> Floor Conference Room, City Hall**  
**\*UPDATED 2/12/2016 p.m.\***

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair  
Councilmember Tina Houghton, Member

**1. Call to Order**

**2. Roll Call**

**3. Minutes**

- January 20, 2016
- February 3, 2016

**4. Public Comment on Agenda Items**

**5. Discussion/Action:**

- A.) Final - City of Lansing Employees' Retirement System Actuarial Valuation for Funding Contributions as of December 31, 2014 (Boomershine)
- B.) Final - City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2014 (Boomershine)
- C.) RESOLUTION – Grant Acceptance; Financial Empowerment Center Carry Forward Funds for the Cities for Financial Empowerment Supplementary Grant
- D.) RESOLUTION – Grant Acceptance; Capital Region Community Foundation Grant for the Financial Capability for Youth Employment
- E.) RESOLUTION- Authorizing Issuance of Wet Weather Control Program Limited Tax General Obligation Bond; Frances Park Pump Station Improvements Project
- F.) DISCUSSION- General Fund Status Report for Second Quarter of Fiscal Year 2016 & Updated Vacancy Report
- G.) UPDATE – Structure, Policies and Procedures of the City of Lansing Internal Auditor

**6. Place on File**

**7. Other**

**8. Adjourn**

*\*A quorum of Council may be present. No deliberations or action will be made or taken as to 5 A) & 5 B).*

DRAFT



## **MINUTES**

**Committee on Ways and Means  
Wednesday, January 20, 2016 @ 8:15 a.m.  
10<sup>th</sup> Floor Conference Room, City Hall**

### **CALL TO ORDER**

The meeting was called to order at 8:19 a.m.

### **ROLL CALL**

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair  
Councilmember Tina Houghton, Member- absent

### **OTHERS PRESENT**

Sherrie Boak, Council Staff  
Jim DeLine, Council Internal Auditor  
Joe Abood, Deputy City Attorney – arrived at 8:21 a.m.  
Mark Dotson, Deputy City Attorney- arrived at 8:21 a.m.  
Angie Bennett, Finance Director – arrived at 8:42 a.m.

### **MINUTES**

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE MINUTES FROM DECEMBER 16, 2015 AS PRESENTED. MOTION CARRIED 2-0.

### **PUBLIC COMMENT**

No public comment

### **Discussion/Action**

Tri-County Regional Planning Commission Audit Report for Fiscal Year 2015  
Council Staff will invite Sue Pigg and Greg Hoffman to the meeting on February 3<sup>rd</sup>, 2016.  
Mr. DeLine noted the bank balances as of September 30, 2015 were federally uninsured and uncollateralized in the amount of \$213,801.

### **Place on File**

Final – City of Lansing Employees' Retirement System Actuarial Valuation for Funding Contributions as of December 31, 2014.

Final – City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2014

## DRAFT

Council Member Wood informed the Committee that the Retirement Boards were updated on January 19, 2016, and that Karen Williams in the Retirement Office has invited Gregory Stump with Boomershine Consulting Group (author of the Actuarial) to the Committee meeting on February 17, 2016. All Council will be invited and a statement on the bottom of the Committee agenda noting "*A quorum of Council may be present. Not decisions will be made*". Mr. Abood confirmed that would suffice since there is no intent or intention of Council to take action on the items.

### **Other**

No topics.

### **Extended Agenda**

#### **UPDATE – Structure, Policies and Procedures of the City of Lansing Internal Auditor**

The City attorneys were informed the Committee was still waiting on the definition for "performance audit" and "final report".

Mr. Abood introduced Mr. Dotson.

Council Member Wood asked for a status update on the contract that was used with Arnie Yerxo the former Internal Auditor. Council Member Brown Clarke assured the Committee she had already started meetings with Mary Riley, the new HR Director, and the Committee on Personnel will be meeting on February 3, 2016.

Council Member Wood asked law to research the 2013 contract of Mr. Yerxo, and that there should not be a gap between Mr. DeLine last day of employment, January 29, 2016 and the contract. Council Member Wood stated to Council Member Brown Clarke law should work with the Council President and it should not go thru the Committee on Personnel.

Mr. DeLine stated he did not want a gap, plans to work 2- 2 ½ days a week, and voiced his concern with turning in his ID, having email stopped, and then reactivating it all. Council Staff noted it would not be an issue. Mr. DeLine voiced a concern with projects that could be delayed. Council Member Brown Clarke stated the CAFR review and the long term debt report can be completed before his last day. Mr. DeLine asked for detailed contract with list of duties and hours.

Council Member Brown Clarke asked Law to research on start working on the contract. Council Member Wood asked law to not schedule the next Claims Review Committee until Mr. DeLine's dates have been established so he can attend.

Council Member asked Council President to have Council staff to notify the appropriate parties to no disconnect Mr. DeLine after his retirement date on his ID access, email and login. Ms. Williams in retirement handles all outgoing retirees so she will notify them to disconnect.

Council Member Brown Clarke stated it would be a short term Contract until June, 2016.

Ms. Bennett informed the Committee that any employment contract begins in HR, then Finance to sign off on to verify there are dollars in the line item and then Law before Council signs it. Council Member Wood stated that in 2013 Law helped Council write the contract and so Law should work with Law to write the contract. Ms. Bennett stated that HR has a standard format for contracts they use as jobs are added. The department, Council, then will add the scope of work.

## DRAFT

Council Member Brown Clarke stated she will speak to Ms. Riley after this meeting and asked law to simultaneously work on the template from Mr. Yerxo. The topic will be discussed at the Committee on Personnel then to Council for adoption of the Resolution.

### **ADJOURN**

Adjourn at 8:49 a.m.

Submitted by,

Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on\_\_\_\_\_

DRAFT



## **MINUTES**

**Committee on Ways and Means  
Wednesday, February 3, 2016 @ 8:15 a.m.  
10<sup>th</sup> Floor Conference Room, City Hall**

### **CALL TO ORDER**

The meeting was called to order at 8:17 a.m.

### **ROLL CALL**

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair -excused  
Councilmember Tina Houghton, Member

### **OTHERS PRESENT**

Sherrie Boak, Council Staff  
Mark Dotson, Deputy City Attorney  
Tammy Good, City Treasurer  
Angie Bennett, Finance Director  
Sue Pigg, Tri County Regional Planning  
Greg Hoffman, Tri County Regional Planning

### **MINUTES**

January 20, 2016 minutes moved to the next meeting for action.

### **PUBLIC COMMENT**

No public comment

### **Discussion/Action**

#### **Tri-County Regional Planning Commission Audit Report for Fiscal Year 2015**

Ms. Pigg introductions and distributed quarterly newsletter. Mr. Hoffman distributed Tri County Audit Presentation. There were no negative findings.

Mr. Hoffman reviewed the balance sheet which outlined the cash, payables and fund balance. It was noted there is \$536,085 in the fund balance on reserve and that will cover payables, used for any shortfalls and any equipment purchases. With the breakdown on Revenue sources there is \$1,836,652, and in regards to expenditures, there is no specific "Community and Economic Development" so it is a broad breakdown. The Schedule of Findings and Questioned Costs reflects no changes and no findings. The previous two years there were no financial policies and those were taken care of in this years' audit, therefore no findings.

## DRAFT

Ms. Pigg noted she did review Mr. DeLines' memo of January 16, 2016. The Audit has been sent to the City since 1959. There was a question on why in FY 2015 revenue fell to \$1.8 million, and that was due to the end of a 3 year grant, which was a successful initiative. Council Member Houghton asked if without the grant, this is a normal revenue stream, and Ms. Pigg confirmed. As a fiscal perspective they are fine. There are salaries at \$721,000 for 13 full time staff. They receive prosperity initiatives from the State, and rec. those funds disbursed up front, so this increases the bank accounts initially. In 2013 the audit mentioned the need for a formal adoption of policies, which they have now done.

### Late Fees on City of Lansing Taxes

Council Member Brown Clarke noted to Ms. Good and Ms. Bennett that Council has received complaints on the internal policy for processing property taxes without acceptance of the postmark. Therefore Council is looking to get clarity on taxes and the received stamp date instead of the postmark. Ms. Good noted that out of roughly 48,000 bills there have only been a handful of concerns. The department presented a copy of a tax bill along with a special notification that was included with the tax bills noting all deadlines, locations to pay, etc. Everything states the bill must be received by 5 p.m. on the deadline. In addition the department did a huge social media blitz along with press releases. It was noted the options for payment include any Comerica Bank, the City drop box, along with paying online with no fee. This option can even be done on the due date. The Committee reviewed the notifications and suggested removing "postmarked after the due date" for clarity, and lastly making the due date in **bold** font. There was a brief discussion on e-filing; however Ms. Bennett noted that currently there is not national vendor that supports e-filing for local taxes.

### Other

Council Member Brown Clarke updated Ms. Bennett on the recent concern brought to Council from Union 580 members and their 1099 form with the recent benefits repayment. Ms. Bennett admitted there was an error on the original forms, there was a letter sent out and an amended 1099 was sent out all this week.

Council Member Houghton asked about random spot audits. Ms. Good stated there are two compliance officers in the office, and that is all they do. Once the state tapes arrive, which are two years behind, they before random audits. Council Member Brown Clarke asked if the department needs more staff to address the audits, and Ms. Bennett stated they are fine with two.

### Extended agenda – Structure, Policies and Procedures of the City of Lansing Internal Auditor

Council Member Brown Clarke updated the group on Mr. DeLine's retirement and the current work on the structure of the job description and protocol between auditor, council, staff, etc. This is currently in the hands of the Committee on Personnel.

The process for the auditor is reviewed in this Committee, and Mr. DeLine was directed to research and provide leadership with other municipalities that were using performance based budgeting and what their auditing practices are. Currently she is reviewing what she was provided with and will clarify in the future.

Ms. Bennett noted that with performance audits it will be hard to audit since the performance based audit is what is communicated to the residents, and that is hard to measure. Council Member Brown Clarke noted that it is a tool for efficiency. We have to look at fiscal response on how dollars are used, and what the department said they were going to use them for.

## DRAFT

Currently the City is not sure what the performance based will look like that is why Mr. DeLine was required to research what other municipalities are doing.

### **ADJOURN**

Adjourn at 9:27 a.m.

Submitted by,

Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on\_\_\_\_\_



# **City of Lansing Employees' Retirement System**

## **Actuarial Valuation For Funding and Contributions**

---

**as of December 31, 2014**

**September, 2015**



## Table of Contents

EXECUTIVE SUMMARY .....	3
PLAN ASSET INFORMATION.....	5
<i>Plan Assets</i> .....	6
<i>Development of Actuarial Value of Assets</i> .....	7
PARTICIPANT SUMMARY .....	8
<i>Reconciliation of Plan Participants from Prior Year</i> .....	9
<i>Distribution of Active Participants and Average Compensation</i> .....	10
VALUATION SUMMARY .....	11
<i>Development of Funding Ratio and City Contribution</i> .....	12
ACTUARIAL ASSUMPTIONS AND METHODS .....	13
SUMMARY OF PLAN BENEFITS .....	16
GLOSSARY OF TERMS.....	20
APPENDIX I: 20 YEAR PROJECTION OF FUNDING AND CONTRIBUTIONS.....	21
APPENDIX II: HISTORY OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS .....	22

September 10, 2015

City of Lansing Employees' Retirement System  
124 W. Michigan Avenue  
8th Floor  
Lansing, MI 48933

## **Executive Summary**

### **Members of the Board:**

The following report sets forth the Actuarial Valuation of the City of Lansing Employees' Retirement System (the System) as of December 31, 2014. The report is based on participant data and asset summary as of December 31, 2014 as submitted by the Plan Administrator and City finance department. We relied on this information without auditing it.

### **INVESTMENT PERFORMANCE:**

The total Market Value of Plan Assets for the plan year ending December 31, 2014 was \$204,492,610. Plan assets exclude from this a reserve for healthcare benefits. The total yield of the fund for the plan year ending December 31, 2014 was 6.3% on the market value of assets and 9.0% on an actuarial basis.

The Plan uses a smoothing method to determine the City's contributions. Under this method, asset gains or losses are spread over a 5-year period. The gains and losses are determined every year by comparing actual investment returns with expected asset performance.

Details of the development of the Actuarial Asset Value are shown on page 8.

### **FUNDING RECOMMENDATIONS:**

The total recommended City contribution for fiscal year 2016 is \$10,181,620. Last year the total recommended contribution was \$10,547,556. Changes in the Employee Contributions and the change in Plan provisions for the new hires in Teamsters 580 CTP and Supervisors and District Court Teamsters 580 Bargaining Units, resulted in a slight decrease in the City Contribution.

### **FUNDING PROGRESS:**

The Actuarial Accrued Liability as of December 31, 2014 is \$309,924,744 compared to the Actuarial Value of Assets (excluding healthcare reserve) of \$177,259,420, resulting in a plan funded ratio of 57.2%. On a market value basis, this ratio is 58.7%.

The purposes of this report are to establish the City contribution for the next fiscal year, and to evaluate the funding progress of the System.

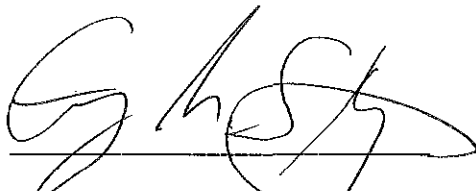
The accounting report for the System, under GASB 67 and 68, is provided under separate cover, and serves a different purpose. All the figures presented in this report are to be used for funding and contribution purposes.

This report has been prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the Retirement Board and its actuary, the actuarial assumptions used are reasonable related to Retirement System experience and expectations, and represent the best estimate of Retirement System experience.

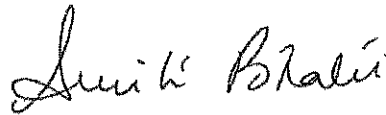
The undersigned below are members of the American Academy of Actuaries, and are qualified to render the actuarial opinions presented in this report.

Respectfully Submitted,

BOOMERSHINE CONSULTING GROUP, L.L.C.



Gregory M. Stump, FSA, EA, MAAA, FCA  
Chief Actuary



Sunita K. Bhatia, ASA, EA, MAAA  
Senior Consultant

### Plan Asset Information

**Plan Assets**

<b>Market Value of Total Fund as of January 1, 2014</b>		<b>\$201,818,037</b>
<u><b>Receipts:</b></u>		
Employer Contribution - Pension Fund	11,308,565	
Employer Contribution - Healthcare Reserve	410,000	
Member Contributions	1,264,933	
Adjustments Investment Income		
Interest	1,009,998	
Dividends	693,404	
Market Appreciation	10,931,298	
<b>Total Additions</b>		<b>\$25,618,198</b>
<u><b>Disbursements:</b></u>		
Member Refunds	6,567	
Distributions to Participants/ Beneficiaries	22,120,989	
Administrative Expenses and Other	112,363	
Investment Expenses	703,706	
<b>Total Disbursements</b>		<b>\$22,943,625</b>
<b>Net Increase/(Decrease) in Assets</b>		<b><u>\$2,674,573</u></b>
<b>Market Value of Total Fund as of December 31, 2014</b>		<b>\$204,492,610</b>

**Allocation of Net Plan Assets**

<b>Asset Class</b>	<b>Market Value</b>	<b>% of Total</b>
Cash and Short Term Investments	22,685,831	11.1%
Equity	98,379,975	48.1%
Fixed Income	70,862,732	34.7%
Real Estate	14,061,815	6.9%
<u>Accounts payable</u>	<u>(1,497,743)</u>	<u>-0.7%</u>
<b>TOTAL ASSETS</b>	<b>\$204,492,610</b>	<b>100.0%</b>

Estimated Rate of Return on Market Value for 2014: 6.31%

## Development of Actuarial Value of Assets

Market Value of Total Fund as of December 31, 2013	\$201,818,037
Plus: Contributions	12,983,498
Less: Benefit Payments, Refunds	22,127,556
Less: Admin Expenses	112,363
Plus: Expected Return during 2014 (@ 7.6%)	14,740,875
Expected Market Value	\$207,302,491
Actual Market Value of Total Fund as of December 31, 2014	\$204,492,610
Asset Gain/(Loss) for 2014 Plan Year	(2,809,882)
Actuarial Value =	
Market Value of Total Fund as of December 31, 2014	\$204,492,610
Less: 80% of 2014 Gain/(Loss) 80%* (2,809,882)	(2,247,905)
Less: 60% of 2013 Gain/(Loss) 60%* 10,553,104	6,331,863
Less: 40% of 2012 Gain/(Loss) 40%* 7,932,079	3,172,832
Less: 20% of 2011 Gain/(Loss) 20%* (10,802,449)	(2,160,490)
Total Deferred Gain/(Loss)	5,096,300
Actuarial Value of Assets, Total Fund - December 31, 2014 (Market Value, less total deferred)	\$199,396,310
as % of Market Value of Assets	97.5%
Healthcare Reserve as of December 31, 2014	\$22,702,174
Adjusted Healthcare Reserve <sup>1</sup>	22,136,890
Actuarial Value of Assets, Pension Plan - December 31, 2014	\$177,259,420
Estimated Rate of Return on the Actuarial Value of Assets:	9.01%

<sup>1</sup> Takes into account asset smoothing

## Participant Summary

**Reconciliation of Plan Participants from Prior Year**

	Active	Vested				
	Participants	Terminations	Retired	Disabled	Beneficiary	Total
Participants as of December 31, 2013	373	68	735	25	125	1,326
Corrections	0	0	0	0	(1)	(1)
Retired	(34)	(3)	37	0	0	0
Terminated Vested	(9)	9	0	0	0	0
Terminated Non-Vested (Member Contributions refunded)	(8)	0	0	0	0	(8)
Disabled	0	0	0	0	0	0
Deceased	(1)	0	(20)	(1)	(9)	(31)
New Beneficiary / EDRO	0	0	0	0	9	9
Rehired	0	0	0	0	0	0
Terminated Non-Vested (Member Contributions to be refunded)	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers to Police and Fire Plan	0	0	0	0	0	0
New Hires	43	0	0	0	0	43
Data Adjustments	(3)	0	0	1	0	(2)
Participants as of December 31, 2014	361	74	752	25	124	1,336

Inactive Participants	12/31/2013	12/31/2014
Number of Retired Participants	735	752
Average Age	66.5	66.8
Average Annual Benefit	\$26,821	\$27,033
Number of Disabled Participants	25	25
Average Age	61.4	62.1
Average Annual Benefit	\$18,477	\$18,432
Number of Beneficiaries/EDROs	125	124
Average Age	73.5	73.0
Average Annual Benefit	\$12,367	\$12,361
Number of Deferred Vested Participants	68	74
Average Age	51.1	51.0
Average Annual Benefit	\$11,716	\$11,213



**Distribution of Active Participants and Average Compensation**

Nearest Age	-----Years of Credited Service-----								Total
	<1	1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<20									
20 - 24	1 4,406								1 4,406
25 - 29	8 22,122	5 41,617	1 30,994						14 29,718
30 - 34	8 24,229	4 40,369	2 56,987	3 54,766	1 35,666				18 37,180
35 - 39	5 25,512	1 60,050		6 51,701	7 57,492	1 49,750			20 47,501
40 - 44	8 23,518	2 44,108	2 70,945	3 58,901	24 56,353	3 52,309			42 50,103
45 - 49	5 24,753	5 71,373	1 46,180	11 60,798	37 59,762	16 60,349	6 62,396	1 70,589	82 58,748
50 - 54	2 23,214	1 86,352	2 42,406	11 65,092	35 60,166	26 57,187	11 57,818	1 82,998	89 58,935
55 - 59	4 21,457			9 60,295	24 56,014	14 62,896	7 65,486	3 57,284	61 57,108
60 - 64	1 17,377		1 103,197	1 74,304	10 50,343	4 70,802	3 65,313	1 70,105	21 59,408
>64				1 107,446	7 57,025	4 63,798	1 69,827		13 63,972
Total	42 22,960	18 53,391	9 57,894	45 61,342	145 57,617	68 59,972	28 61,948	6 65,924	361
					<u>Males</u>	<u>Females</u>	<u>Total</u>		
Total Compensation					12,434,981	7,287,376	19,769,460		
Average Compensation					56,267	52,427	54,763		
Arithmetic Averages:									
Nearest Age					48.61	49.19	48.70		
Completed Years of Service					11.01	10.68	10.85		
Salary-Weighted Averages:									
Nearest Age					49.85	50.15	49.84		
Completed Years of Service					12.24	11.31	11.87		
Number of Participants					221	139	361		
Percent male / female					61.22%	38.50%	100.00%		

## Valuation Summary

**Development of Funding Ratio and City Contribution**

	12/31/2013	12/31/2014
1) Total Entry Age Normal Cost	\$ 2,862,200	\$ 2,842,174
2) <u>Estimated Employee Contributions</u>	<u>1,058,421</u>	<u>1,072,734</u>
3) Net City Normal Cost: (1) - (2)	\$ 1,803,779	\$ 1,769,440
4) Valuation Payroll	\$ 20,874,143	\$ 22,391,750
5) City Normal Cost Rate (% of pay): (3) ÷ (4)	8.6%	7.9%
Actuarial Accrued Liability		
Active Employees	\$ 55,328,454	\$ 53,422,881
Member Benefit Fund	15,621,340	16,534,167
Terminated Vested	5,404,429	5,823,137
<u>Retirees and Beneficiaries</u>	<u>236,904,523</u>	<u>234,144,559</u>
6) Total Actuarial Accrued Liability: (sum of above)	\$ 313,258,746	\$ 309,924,744
7) Actuarial Value of Assets	172,687,582	177,259,421
8) Unfunded Actuarial Accrued Liability: (6) - (7)	140,571,164	132,665,323
9) Plan Funding Ratio: (7) ÷ (6)	55.1%	57.2%
10) Amortization of Unfunded Actuarial Accrued Liability	\$ 8,426,634	\$ 8,106,040
11) Amortization Rate (% of Pay): (10) ÷ (4)	40.4%	36.2%
12) Total Contribution Rate: (5) + (11)	49.0%	44.1%
13) Projected Fiscal Payroll	\$ 21,521,242	\$ 23,085,894
14) Total City Contribution: (12) x (13)	\$ 10,547,556	\$ 10,181,620

**Estimated Cash Flow for Next Five Years**

Fiscal Year	City Contributions	Member Contributions	Benefit Payments
2017	\$ 10,400,000	\$ 1,100,000	\$ 22,100,000
2018	10,500,000	1,200,000	22,400,000
2019	10,700,000	1,200,000	22,600,000
2020	11,000,000	1,300,000	23,000,000
2021	11,300,000	1,300,000	23,200,000

## Actuarial Assumptions and Methods

**Funding Method:** Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability as a level percent of payroll over a closed period of thirty years, decreasing by 1 year to an ultimate period of 15 years (27 years remaining as of December 31, 2014).

**Asset Smoothing Method:** Investment gains and losses are determined annually and each is spread over a 5- year period. This is done on a total fund basis. The adjusted value of the healthcare reserve is then excluded from the valuation assets.

**Investment Return:** 7.60% compounded annually, net of investment expenses

**Cost of Living (inflation):** The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.10% per year.

**Salary Increases:** Increases in salary are assumed to be 3.10% annually, plus an additional amount that varies based on the service of the member as shown below:

<u>Years of Service</u>	<u>UAW</u>	<u>All Others</u>
0-8	2.00%	1.50%
9-10	2.00%	0.25%
11 +	1.00%	0.25%

**Mortality:** RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled versions of these tables are assumed. Each of these tables is projected to 2008 using Scale BB. Projected improvements in mortality for non-disabled members have been accounted for by projecting the table to 2023 using 50% of Scale BB.

**Percent Married:** 90% of participants are assumed to be married. Male spouses are assumed to be three years older than their female spouse.

**Disability:** Rates of disability vary based on the age of the member as shown below. Half of all disabilities are assumed to be duty related.

Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
20	0.0004
30	0.0004
40	0.0013
50	0.0041
60	0.0090

**Termination:**

Rates of termination vary based on the service of the member.  
Sample Rates are shown below:

<u>Years of Service</u>	<u>UAW</u>	<u>Others</u>
0	10.0%	20.0%
1	7.0%	10.0%
2	5.0%	4.0%
3	5.0%	4.0%
4	5.0%	4.0%
5	4.0%	3.0%
10	1.0%	1.0%
15	1.0%	1.0%
20+	0.5%	0.5%

**Retirement:**

Rates of retirement vary based on the age of the member as shown below. Rate is applied only if the member is eligible to retire.

<u>Age</u>	<u>UAW</u>	<u>Others</u>
45-49	0.0%	10.0%
50-54	40.0%	10.0%
55-56	40.0%	15.0%
57	20.0%	15.0%
58	10.0%	25.0%
59	10.0%	10.0%
60	20.0%	15.0%
61	35.0%	15.0%
62-64	20.0%	15.0%
65-69	100.0%	50.0%
70 +	100.0%	100.0%

The assumptions above are based on the most recent experience study, covering 2005 through 2011.  
The next study is scheduled for 2016.

**Changes in assumptions since the prior valuation**

There have been no changes in assumptions since the prior valuation.

**Non Duty Pre-Retirement Death**

Eligibility	The non-duty pre-retirement death benefit is payable upon the death of a member after earning 8 years of credited service.
Benefit Amount	Benefit is paid to the surviving spouse as a Joint and Survivor benefit and is computed in the same manner as the Normal Retirement Benefit.

**Optional Benefit Forms**

Prior to retirement, a member may elect to convert the retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below.

- a. Cash Refund Annuity - If a member dies before receiving the total value of accumulated member contributions, the remaining member contributions are payable to designated beneficiary(ies) at the time of death.
- b. 50% or 100% Joint and Survivor Annuity
- c. Social Security Level Income ("Equating Pension") - Any member who retires prior to age 65 may elect to have his retirement allowance actuarially equated to provide an increase retirement allowance to age 65, and a reduced retirement allowance payable thereafter. The increased retirement allowance shall approximate the sum of the member's reduced retirement allowance payable after age 65 and the member's estimated Social Security Primary Insurance Amount.

**Post - Retirement Benefit Adjustments**

One-time post-retirement benefit increases were granted in 1984, 1987 and 1998.

Effective January 1, 1999, and each January 1 thereafter, certain eligible retirees and beneficiaries receive annual benefit increases, financed by the Members' Benefit Fund reserve while it maintains a positive balance. Retirees/Beneficiaries must meet both of the following conditions:

- 1) Has been retired at least 6 months as of the January 1 increase date
- 2) Age 60 as of the January 1 increase date

For a retiree/beneficiary who elected a 50% or 100% Joint and Survivor Annuity, the maximum annual increase is equal to \$200 (\$100 for the beneficiary if 50% option is elected) times a ratio of the original Joint and Survivor benefit to the original straight life annuity benefit.

For all other retirees/beneficiaries, the maximum annual increase is \$200.

**Changes in Plan provisions since the prior valuation**

This Valuation takes into effect the change in Employee Contributions and the Plan provisions for the new hires in Teamsters 580 CTP and Supervisors and District Court Teamsters 580 Bargaining Units.

## Glossary of Terms

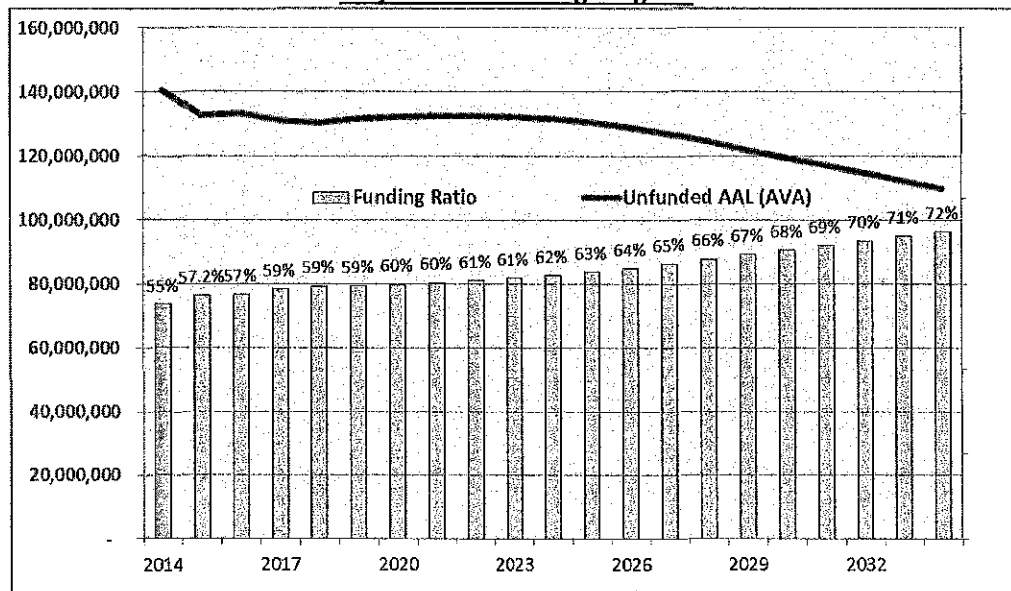
Actuarial Accrued Liability (AAL):	The portion of benefits deemed to be accrued by participants based on past service. The AAL serves as the asset <b>funding</b> target, when annual contributions are determined.
Actuarial Value of Assets (AVA):	The smoothed value of assets, used to compute the Unfunded AAL. The purpose of the AVA is to control volatility in annual <b>cash contributions</b> .
Amortization of Unfunded Liability:	The portion of the <b>annual cash contribution</b> that represents a portion of the Unfunded AAL. The amortization can be positive or negative.
Actuarially Determined Employer Contribution (ADEC):	The contribution determined by the actuary for <b>funding purposes</b> .
Market Value of Assets (MVA):	The total value of Plan assets available to pay benefits.
Normal Cost:	That portion of the annual contribution that represents one year's accrual of benefits. In funding calculations, this is known as the Service Cost.
Unfunded Actuarial Accrued Liability:	The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability, used for <b>funding purposes</b> .



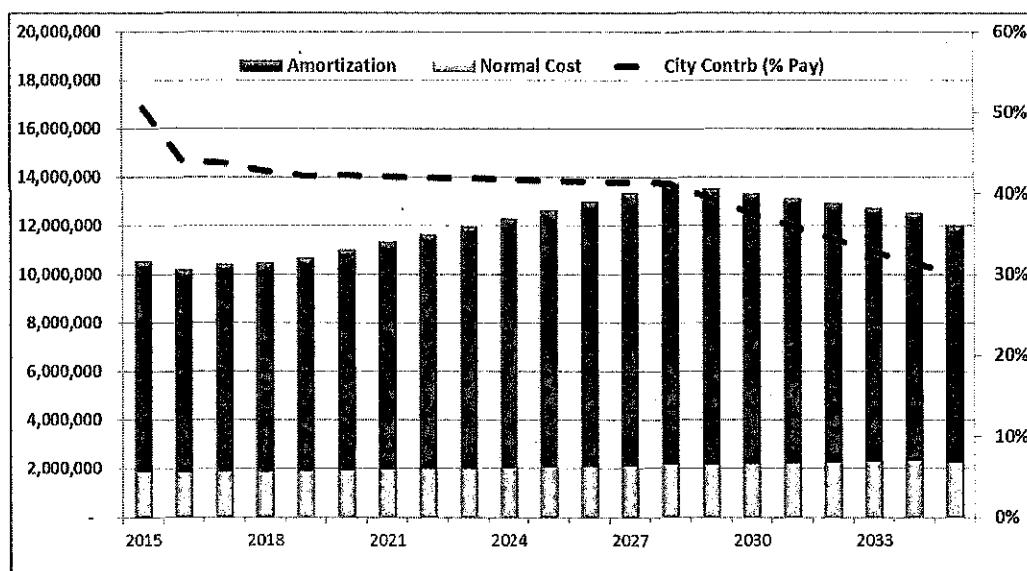
## Appendix I: 20 Year Projection of Funding and Contributions

The graphs below show a projection of expected funding progress and City contributions to the Fund. The actual funding progress and contributions over this time period will differ from what is shown here, due to the actual experience of the Plan. However, we can see that the Plan is on a path to eventually reducing the unfunded liability (top graph, red line) and improving the funding ratio by about 15% over the next 20 years. During this time, the City contribution rate is expected to remain near 40% of pay. All recent benefit changes have been taken into account for these projections.

**Projection of Funding Progress**



**Projection of City Contributions**



## Appendix II: History of Employer Contributions and Funding Progress

### Historical Employer Contributions

Fiscal Year Ending	Actuarially Determined Employer Contribution	Actual Employer Contribution	
6/30/2007	5,230,668	5,230,668	
6/30/2008	6,021,613	6,021,613	
6/30/2009	6,047,520	6,476,000	(1)
6/30/2010	6,472,341	6,043,861	(1)
6/30/2011	7,297,083	7,297,083	
6/30/2012	7,596,879	7,523,534	(2)
6/30/2013	8,586,536	8,586,536	(3)
6/30/2014	9,361,000	9,361,000	
6/30/2015	10,548,000	10,548,000	(4)
6/30/2016	10,182,000	To be determined	

(1) The City contributed in excess of its FY 2009 Contribution. The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment.

(2) The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 Contribution from the December 31, 2010 valuation.

(3) Fiscal year 2013 Contribution reflects changes made to actuarial assumptions based on an Experience Study. Changes included a decrease in the assumed rate of return from 8.0% to 7.8%. A closed amortization period was also adopted as of 12/31/2011, beginning at 30 years and decreasing each year until 15 years is reached.

(4) Fiscal year 2015 Contribution reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively.

**Historical Funding Progress**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability	
12/31/2005	207,881,000	241,882,000	85.9%	34,001,000	
12/31/2006	208,765,000	251,427,000	83.0%	42,662,000	
12/31/2007	208,572,000	254,356,000	82.0%	45,784,000	
12/31/2008	200,600,000	258,331,000	77.7%	57,731,000	
12/31/2009	193,324,000	262,298,000	73.7%	68,974,000	
12/31/2010	187,440,590	269,461,935	69.6%	82,021,345	
12/31/2011	177,100,863	287,306,707	61.6%	110,205,844	(5)
12/31/2012	167,569,807	293,974,433	57.0%	126,404,626	
12/31/2013	172,687,582	313,258,746	55.1%	140,571,164	(6)
12/31/2014	177,259,421	309,924,744	57.2%	132,665,323	

(5) Reflects changes made to actuarial assumptions based on an Experience Study, including a reduction in the assumed investment return 8.0% to 7.8%.

(6) Reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively.



# **City of Lansing Police and Fire Retirement System**

## **Actuarial Valuation For Funding and Contributions**

---

as of December 31, 2014

September, 2015

## Table of Contents

EXECUTIVE SUMMARY .....	3
PLAN ASSET INFORMATION.....	5
<i>Trust Fund Statement</i> .....	6
<i>Allocation of Net Plan Assets as of December 31, 2014</i> .....	6
<i>Development of Actuarial Value of Assets</i> .....	7
PARTICIPANT SUMMARY .....	8
<i>Reconciliation of Plan Participants from Prior Year</i> .....	9
<i>Distribution of Active Participants and Average Compensation</i> .....	10
VALUATION SUMMARY .....	11
<i>Development of Funding Ratio and City Contribution</i> .....	12
ACTUARIAL ASSUMPTIONS AND METHODS .....	13
SUMMARY OF PLAN BENEFITS .....	16
GLOSSARY OF TERMS.....	20
APPENDIX I: 20 YEAR PROJECTION OF FUNDING AND CONTRIBUTIONS.....	21
APPENDIX II: HISTORY OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS .....	22

September 10, 2015

City of Lansing Police and Fire Retirement System  
124 W. Michigan Avenue  
8th Floor  
Lansing, MI 48933

## **Executive Summary**

### **Members of the Board:**

The following report sets forth the Actuarial Valuation of the City of Lansing Police and Fire Retirement System (the System) as of December 31, 2014. The report is based on participant data and asset summary as of December 31, 2014 as submitted by the Plan Administrator and City finance department. We relied on this information without auditing it.

### **INVESTMENT PERFORMANCE:**

The total Market Value of Plan Assets for the plan year ending December 31, 2014 was \$325,637,582. Plan assets exclude from this a reserve for healthcare benefits. The total yield of the fund for the plan year ending December 31, 2014 was 6.2% on the market value of assets and 9.6% on an actuarial basis, taking into account asset smoothing.

The Plan uses a smoothing method to determine the City's contributions. Under this method, asset gains or losses are spread over a 5-year period. The gains and losses are determined every year by comparing actual investment returns with expected asset performance.

Details of the development of the Actuarial Asset Value are shown on page 8.

### **FUNDING RECOMMENDATIONS:**

The total recommended City contribution for fiscal year 2015 is \$10,884,312. Last year the total recommended contribution was \$11,050,091. Changes in the Employee Contributions and the change in Plan provisions for the new hires in Fire and Police - Non Supervisor groups, resulted in a slight decrease in the City Contribution.

### **FUNDING PROGRESS:**

The Actuarial Accrued Liability as of December 31, 2014 is \$395,089,321 compared to the Actuarial Value of Assets of \$288,785,965, resulting in a plan funded ratio of 73.1%. Using the market value of assets, this ratio is 75.7%.

The purposes of this report are to establish the City contribution for the next fiscal year, and to evaluate the funding progress of the System.

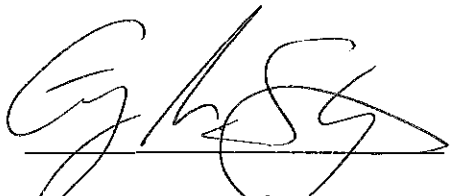
The accounting report for the System, under GASB 67 and 68, is provided under separate cover, and serves a different purpose. All the figures presented in this report are to be used for funding and contribution purposes.

This report is prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the Retirement Board and its actuary, the actuarial assumptions used are reasonable related to Retirement System experience and expectations, and represent the best estimate of Retirement System experience.

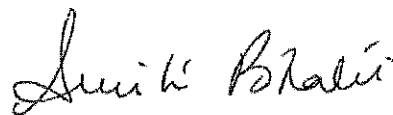
The undersigned below are members of the American Academy of Actuaries, and are qualified to render the actuarial opinions presented in this report.

Respectfully Submitted,

BOOMERSHINE CONSULTING GROUP, L.L.C.



Gregory M. Stump, FSA, EA, MAAA, FCA  
Chief Actuary



Sunita K. Bhatia, ASA, EA, MAAA  
Senior Consultant

## Plan Asset Information



### Trust Fund Statement

Market Value of Total Fund as of January 1, 2014	\$319,630,880
--	---------------

**Receipts:**

Employer Contribution	11,298,948	
Employer Contribution - Healthcare Reserve	940,000	
Member Contributions	2,858,941	
Adjustments Investment Income		
Interest	1,203,476	
Dividends	1,146,480	
Market Appreciation	17,082,577	
<b>Total Additions</b>		<b>\$34,530,422</b>

**Disbursements:**

Member Refund	18,093	
Distributions to Participants/ Beneficiaries	27,278,253	
Administrative Expenses and Other	119,035	
Investment Expenses	1,108,339	
<b>Total Disbursements</b>		<b>\$28,523,720</b>

Net Increase/(Decrease) in Assets	<u>\$6,006,702</u>
-----------------------------------	--------------------

Market Value of Total Fund as of December 31, 2014	<b>\$325,637,582</b>
--	----------------------

### Allocation of Net Plan Assets as of December 31, 2014

Asset Class	Market Value	% of Total
Cash and Short Term Investments	\$ 30,665,518	9.4%
Equity	184,651,534	56.7%
Fixed Income	93,431,180	28.7%
Real Estate	18,042,030	5.6%
Accounts payable	<u>(1,152,680)</u>	<u>-0.4%</u>
<b>TOTAL ASSETS</b>	<b>\$325,637,582</b>	<b>100.0%</b>
 Estimated Rate of Return on Market Value for 2014	 6.2%	

### Development of Actuarial Value of Assets

Market Value of Total Fund as of December 31, 2013		\$ 319,630,880
Plus: Contributions		15,097,889
Less: Benefit Payments, Refunds		27,296,346
Less: Admin Expenses		119,035
Plus: Expected Return during 2014 (@ 7.6%)		23,550,712
Expected Asset Value		\$330,864,100
Actual Market Value of Total Fund as of December 31, 2014		\$325,637,582
Asset Gain/(Loss) for 2014 Plan Year		(5,226,518)
Actuarial Value =		
Market Value of Total Fund as of December 31, 2014		\$325,637,582
Less: 80% of 2014 Gain/(Loss)	80%*	(5,226,518)
Less: 60% of 2013 Gain/(Loss)	60%*	25,936,548
Less: 40% of 2012 Gain/(Loss)	40%*	0 <sup>1</sup>
Less: 20% of 2011 Gain/(Loss)	20%*	0 <sup>1</sup>
Total Deferred Gain/(Loss)		11,380,715
Actuarial Value of Assets, Total Fund - December 31, 2014 (Market Value, less total deferred)		\$314,256,867
as % of Market Value of Assets		96.5%
Healthcare Reserve as of December 31, 2014		\$26,391,982
Adjusted Healthcare Reserve <sup>2</sup>		25,470,902
Actuarial Value of Assets, Pension Plan - December 31, 2014		\$288,785,965
Estimated Rate of Return on the Actuarial Value is	9.6%	

<sup>1</sup> 2010 - 2012 Investment Experience fully recognized as of 12/31/2013

<sup>2</sup> Takes into account asset smoothing

## Participant Summary

**Reconciliation of Plan Participants from Prior Year**

	Active Participants	Non-vested Terminations Due Refunds	Deferred Vested Terminations	Retired	Disabled	Beneficiary	Total
Participants as of December 31, 2013	352	15	23	495	64	140	1,089
Correction	0	0	0	0	0	0	0
Retired	(21)	0	(1)	22	0	0	0
Terminated Vested	(2)	0	2	0	0	0	0
Terminated Non-Vested (Member Contributions refunded)	(2)	0	0	0	0	0	(2)
Disabled	(1)	0	0	0	1	0	0
Deceased	0	0	0	(12)	0	(7)	(19)
New Beneficiary / EDRO	0	0	0	0	0	8	8
Rehired	0	0	0	0	0	0	0
Terminated Non-Vested (Member Contributions to be refunded)	0	0	0	0	0	0	0
Transfers In from ERS	0	0	0	0	0	0	0
New Hires	36	0	0	0	0	0	36
Data Adjustments	0	0	0	0	0	0	0
Participants as of December 31, 2014	362	15	24	505	65	141	1,112

\* Includes distinction made between retiree EDROs and beneficiary EDROs

Inactive Participants	12/31/2013			12/31/2014		
	Fire	Police	Total	Fire	Police	Total
Number of Retired Participants	212	283	495	215	290	505
Average Age	65.3	65.4	65.4	65.4	65.3	65.3
Average Annual Benefit	\$47,634	\$43,121	\$45,054	\$49,777	\$43,742	\$46,311
Number of Disabled Participants	39	25	64	40	25	65
Average Age	54.0	52.5	53.4	54.7	53.5	54.2
Average Annual Benefit	\$41,463	\$37,342	\$39,853	\$41,084	\$39,701	\$40,552
Number of Beneficiaries/EDROs	57	83	140	68	73	141
Average Age	76.8	72.1	74.0	76.4	72.4	74.3
Average Annual Benefit	\$15,016	\$16,606	\$15,959	\$16,455	\$16,226	\$16,336
Number of Deferred Vested Participants	4	19	23	5	19	24
Average Age	42.7	47.4	47.3	42.7	47.9	46.8
Average Annual Benefit	\$34,032	\$26,246	\$27,600	\$34,519	\$27,173	\$28,703

**Distribution of Active Participants and Average Compensation**

Nearest Age	-----Completed Years of Service from Date of Hire-----								Total
	<1	1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<20									
20 - 24	9 15,125	4 44,725							13 24,233
25 - 29	17 13,355	6 47,280	4 63,823	4 76,048					31 34,523
30 - 34	9 17,981	1 57,130	7 67,457	25 71,820	13 65,622				55 60,723
35 - 39	1 10,372		4 66,643	10 70,491	30 72,812	18 69,815			63 70,205
40 - 44			2 61,059	2 76,181	18 73,097	53 74,018	8 79,024		83 74,041
45 - 49			1 66,968	2 80,444	3 71,800	26 75,021	33 80,175	2 88,731	67 77,867
50 - 54				1 68,606	5 78,233	15 73,998	23 80,807	2 80,430	46 78,025
55 - 59						2 76,963	1 77,418		3 77,114
60 - 64							1 76,884		1 76,884
>64									
Total	36 14,871	11 47,247	18 65,731	44 72,420	69 71,881	114 73,633	66 80,164	4 84,580	362
					Males	Females	Total		
Total Compensation					20,736,997	3,592,922	24,407,740		
Average Compensation					67,547	66,536	67,425		
Arithmetic Averages:									
Nearest Age					40.1	40.0	40.0		
Completed Years of Service					12.9	13.5	12.9		
Salary-Weighted Averages:									
Nearest Age					41.8	41.0	41.6		
Completed Years of Service					14.5	14.5	14.5		
Number of Participants					307	54	362		
Percent male / female					84.8%	14.9%	100.0%		

## Valuation Summary

**Development of Funding Ratio and City Contribution**

	12/31/2013	12/31/2014
1) Total Entry Age Normal Cost	\$ 6,577,961	\$ 6,548,752
2) <u>Estimated Employee Contributions</u>	<u>2,240,606</u>	<u>2,486,995</u>
3) Net City Normal Cost: (1) – (2)	\$ 4,337,355	\$ 4,061,757
4) Valuation Payroll	\$ 25,636,626	\$ 26,264,214
5) City Normal Cost Rate (% of pay): (3) ÷ (4)	16.9%	15.5%
Actuarial Accrued Liability		
Active Employees	\$ 104,601,312	\$ 104,149,553
Terminated Vested	4,228,451	4,701,287
<u>Retirees and Beneficiaries</u>	<u>275,049,517</u>	<u>286,238,481</u>
6) Total Actuarial Accrued Liability: (sum of above)	\$ 383,879,280	\$ 395,089,321
7) Actuarial Value of Assets	277,267,947	288,785,965
8) Net Unfunded Actuarial Accrued Liability: (6) – (7)	106,611,332	106,303,356
9) Plan Funding Ratio: (7) ÷ (6)	72.2%	73.1%
10) Amortization of Unfunded Actuarial Accrued Liability	\$ 6,390,889	\$ 6,495,287
11) Amortization Rate (% of Pay): (10) ÷ (4)	24.9%	24.7%
12) Total Contribution Rate: (5) + (11)	41.8%	40.2%
13) Projected Fiscal Payroll	\$ 26,405,725	\$ 27,078,405
14) Total City Contribution: (12) x (13)	\$ 11,050,091	\$ 10,884,312

**Estimated Cash Flow for Next Five Years**

Fiscal Year	City Contributions	Member Contributions	Benefit Payments
2017	10,900,000	2,600,000	28,400,000
2018	10,800,000	2,600,000	29,000,000
2019	10,800,000	2,700,000	29,600,000
2020	11,200,000	2,800,000	30,000,000
2021	11,500,000	2,900,000	30,500,000

## Actuarial Assumptions and Methods



Funding Method:	Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability as a level percent of payroll over a closed period of thirty years, decreasing by 1 year to an ultimate period of 15 years (27 years remaining as of December 31, 2014).
Asset Smoothing Method:	Investment gains and losses are determined annually and each is spread over a 5-year period. This is done on a total fund basis. The value of the healthcare reserve is then excluded from the valuation assets.
Investment Return:	7.60% compounded annually, net of investment expenses
Cost of Living (inflation):	The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.10% per year.
Salary Increases:	Increases in salary are assumed to be equal to inflation, plus 7.00% for those with less than 5 years of service or 0.75% for all others
Mortality:	RP2000 with Blue Collar adjustments for males and females. For Disabled members, the disabled version of these tables are assumed with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.
Percent Married:	90% of participants are assumed to be married. Male spouses are assumed to be three years older than their female spouse.
Disability:	Rates of disability vary based on the age of the member. 95% of disabilities are assumed to be duty related.

Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
20	0.0800%
30	0.4000%
40	0.6250%
50	0.7500%
60	0.0000%

Termination: Rates of termination vary based on the service of the member.

Sample Rates are shown below:

<u>Years of Service</u>	<u>Fire</u>	<u>Police</u>
0	4.0%	5.0%
1	3.2%	4.3%
5	1.3%	2.2%
10	0.4%	1.0%
15	0.1%	0.4%
20	0.0%	0.0%

Retirement: Rates of retirement vary based on the service of the member as shown below.

<u>Years of Service</u>	<u>Fire</u>	<u>Police</u>
10-24	5.0%	5.0%
25	80.0%	80.0%
26-29	60.0%	25.0%
30+	100.0%	100.0%

The demographic assumptions above are based on the most recent experience study, covering 2005 through 2011. The next study is scheduled for 2016.

#### Changes in assumptions and methods

There have been no changes in assumptions since the prior valuation.

## Summary of Plan Benefits

*All benefits are subject to the language in the City Ordinance and relevant collective bargaining agreements.*

Employee Group Covered: Police Officers and Fire Fighters

Normal Retirement: Age 55 or 25 years of service; For FOP-NS, full retirement is at age 50 with 25 years of service

Mandatory Retirement: Age 60 for Police and age 70 for Firefighters

Normal Form of Benefit: Monthly life annuity with 50% of the benefit payable to the spouse upon the member's death.

		Contribution Rate	
		<u>Group</u>	<u>(% of Pay)</u>
Member Contribution Rates:	Fire (IAFF)	9.08%	(10.00% as of 05/19/2014)
	Police, Supervisor (FOP-S)	9.52%	
	Police, Non Supervisor (FOP-NS)	8.50%	(9.00% as of 07/01/2015)
Hires after 5/19/2014	Fire (IAFF)	7.00%	
Hires after 08/01/2014	Police, Non Supervisor (FOP-NS)	7.00%	

Included Compensation: For a police officer member, Included Compensation is defined as annual base salary, overtime pay (including holiday pay), longevity, gun allowance, clothing allowances, sick leave reimbursement (buy-back), shift premium and retroactive pay (prorated by effective date). For a Police Supervisory Division Unit member, the definition also includes compensatory time buy-back (up to a maximum of 160 hours), provided that the compensatory time was earned in the same 24 months on which final average compensation is based. For a firefighter member, Included Compensation is defined as annual base salary, overtime pay, acting pay, ambulance wage differential pay, longevity, holiday pay, field training instructor pay and retroactive pay (prorated by effective date).

Final Average Compensation: Final Average Compensation means the monthly average of the member's final compensation that is included in Included Compensation, paid during the period of the member's 24 highest consecutive months of credited service as a police officer, or firefighter. If the member has less than 24 months of credited service, the member's final average compensation shall be the monthly average of the Included Compensation paid for his or her total period of credited service.

Normal Retirement Benefit Formula: 3.2% of Final Average Compensation times years of credited service, not to exceed 25 years. Maximum benefit is 80% of Final Average Compensation. Pension benefit is capped at 110% of Base Wage for IAFF and FOP-NS

Benefit Multiplier is changed to 2.5% and Pension Benefit is capped at 100% of Base Wage for hires on or after May 19, 2014 for IAFF and August 1, 2014 for FOP-NS

**Termination Prior to Retirement**

Eligibility	Vesting is after 10 years of credited service
Benefit Amount	Benefit is payable beginning at age 55 and computed in the same manner as the Normal Retirement Benefit, but based on credited service and Final Average Compensation at date of termination.

**Duty Disability**

Eligibility	Members are eligible for Duty Disability Retirement benefits immediately upon employment.
Benefit Amount (Before Retirement Eligibility)	The Duty Disability Retirement Benefit payable to members is equal to 2/3 of Final Average Compensation.
Benefit Amount (After Retirement Eligibility)	Benefit is paid at the effective date of disability retirement as a Life Annuity and is equal to the accrued Retirement Benefit. In computing the benefit amount, credited service is increased to include the period of disability, and Final Average Compensation is calculated using current rates of compensation for those with similar rank.
	The Disability Benefit will be offset by any workers' compensation payable on account of the disability.

**Non Duty Disability**

Eligibility	Members are eligible for Non Duty Disability Retirement benefits after completing 10 years of service.
Benefit Amount	Benefit is paid at the effective date of disability retirement as a Life Annuity and is equal to the accrued Retirement benefit, with a maximum benefit equal to 2/3 of the annual rate of compensation of either a full-paid patrolman or a full-paid firefighter as of the date of retirement, whichever is higher.

**Death incurred in the Line of Duty**

Eligibility	The Death in Line of Duty Benefit is payable to the survivors of a member who died as a result of an injury or disease arising out of and in the course of duty.
Benefit Amount - Fire	A benefit, equal to 1/3 of the deceased member's Final Compensation, is payable to the widow or widower. In addition, unmarried children under the age of 21 will receive a benefit equal to 1/4 of the deceased member's Final Compensation, divided equally among children.
Benefit Amount - Police	A benefit is payable to the widow or widower, equal to the greater of 80% of the deceased member's Final Average Compensation, or 80% of the top paid base salary for the rank the officer held at the time of his or her death. Benefit is paid to surviving children if there is no surviving spouse.

**Non Duty Pre-Retirement Death**

Eligibility	The non-duty pre-retirement death benefit is payable upon the death of a member after earning 10 years of credited service.
Benefit Amount	50% of the accrued retirement benefit, computed in the same manner as the Retirement Benefit payable as a Life Annuity.

**Optional Benefit Forms**

Prior to retirement, a member may elect a reduced benefit of either 93% or 86% of the original amount, thereby increasing the spouse benefit to either 75% or 86%, respectively.

**Ad Hoc Cost-of-Living Adjustments**

One-time cost of living increases were granted in 1973, 1984 and 1987.

**Post Retirement Benefit Adjustments**

Effective January 1, 1995 and each January 1 thereafter, the annual benefit amount will be increased by \$525 for each retiree who meets each of the following conditions:

- 1) 25 or more years of credited service at the time of retirement
- 2) Age 60 as of the January 1 increase date
- 3) Has been retired at least 6 months as of the January 1 increase date

The \$525 amount is reduced for retirees who elected the 75% or 86% optional forms of benefit (\$488.25 and \$451.50, respectively).

Spouses of deceased members are also eligible for benefit increases each January 1 if:

- 1) The deceased member had at least 25 years of credited service at the time of retirement
- 2) The deceased member would have attained at least age 60 as of the January 1 increase date
- 3) The deceased member had been deceased at least 6 months as of the January 1 increase date.

The spouse's annual benefit increase amount is adjusted based on the form of payment elected by the deceased member, according to the following schedule:

<u>Spouse Benefit %</u>	<u>Annual Benefit Increase</u>
50%	\$262.50
75%	\$393.75
86%	\$451.50

The benefit increases accumulate from year to year, but cumulative benefit increases shall not exceed cumulative increases in the Consumer Price Index.

**Changes in Plan provisions since the prior valuation**

This Valuation takes into effect the change in Employee Contribution rate for the Fire and Police - Non Supervisor groups and the new Plan provisions for new hires in the Fire and Police - Non Supervisor groups.

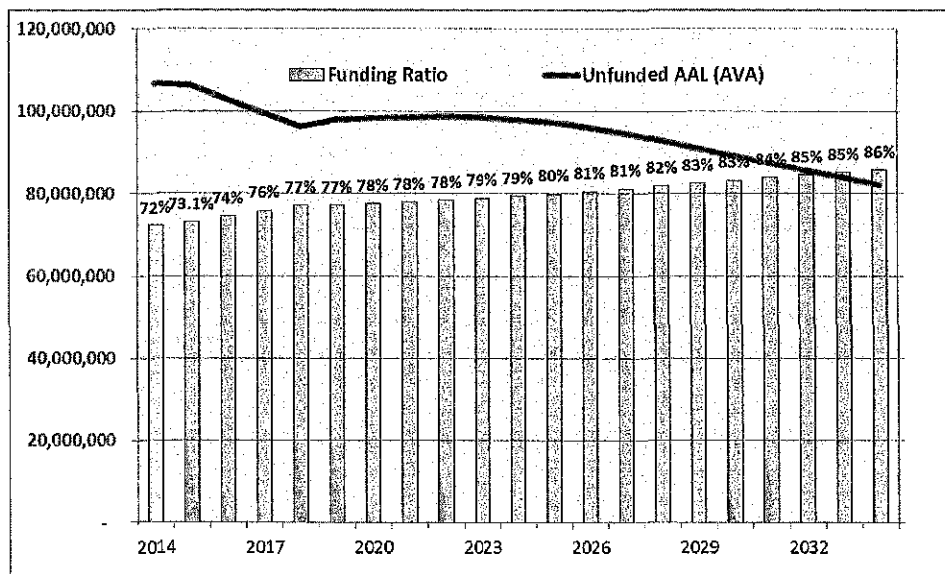
## Glossary of Terms

Actuarial Accrued Liability (AAL):	The portion of benefits deemed to be accrued by participants based on past service. The AAL serves as the asset <b>funding</b> target, when annual contributions are determined.
Actuarial Value of Assets (AVA):	The smoothed value of assets, used to compute the Unfunded AAL. The purpose of the AVA is to control volatility in annual <b>cash contributions</b> .
Amortization of Unfunded Liability:	The portion of the <b>annual cash contribution</b> that represents a portion of the Unfunded AAL. The amortization can be positive or negative.
Actuarially Determined Employer Contribution (ADEC):	The contribution determined by the actuary for <b>funding purposes</b> .
Market Value of Assets (MVA):	The total value of Plan assets available to pay benefits.
Normal Cost:	That portion of the annual contribution that represents one year's accrual of benefits. In funding calculations, this is known as the Service Cost.
Unfunded Actuarial Accrued Liability:	The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability, used for <b>funding purposes</b> .

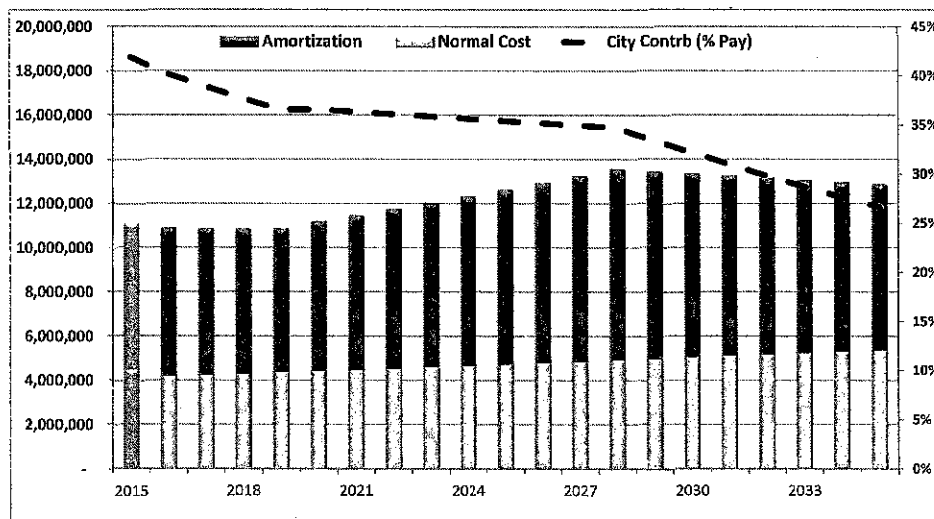
## Appendix I: 20 Year Projection of Funding and Contributions

The graphs below show a projection of expected funding progress and City pension contributions to the Fund. The actual funding progress and contributions over this time period will differ from what is shown here, due to the actual experience of the Plan. However, we can see that the Plan is on a path to decreasing the unfunded liability (top graph, red line) and improving the funding ratio by about 13% over 20 years. During this time, the City contribution rate is expected to decrease from its current level to less than 30% of pay. All recent benefit changes have been taken into account for these projections.

**Projection of Funding Progress**



**Projection of City Contributions**





## Appendix II: History of Employer Contributions and Funding Progress

### Historical Employer Contributions

Fiscal Year Ending	Actuarially Determined Employer Contribution	Actual Employer Contribution	
6/30/2007	5,385,960	5,385,960	
6/30/2008	6,520,974	6,520,974	
6/30/2009	6,094,397	6,483,000	(1)
6/30/2010	7,179,360	6,790,757	(1)
6/30/2011	8,240,688	8,240,688	
6/30/2012	9,242,173	9,057,080	(2)
6/30/2013	10,133,599	10,133,599	(3)
6/30/2014	11,248,857	11,248,857	
6/30/2015	11,050,091	11,050,091	(4)
6/30/2016	10,884,312	To Be determined	

(1) The City contributed in excess of its FY 2009 ADEC. The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment.

(2) The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

(3) Fiscal year 2013 ADEC reflects changes made to actuarial assumptions based on an Experience Study. Changes included a decrease in the assumed rate of return from 8.0% to 7.8%. A closed amortization period was also adopted as of 12/31/2011, beginning at 30 years and decreasing each year until 15 years is reached.

(4) Fiscal year 2015 ADEC reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively. ADEC also reflects change in asset smoothing to immediately recognize all investment gains and losses prior to 12/31/2012.

**Historical Funding Progress**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability
12/31/2005	275,216,000	290,299,000	94.8%	15,083,000
12/31/2006	278,839,000	308,193,000	90.5%	29,354,000
12/31/2007	293,571,000	315,635,000	93.0%	22,064,000
12/31/2008	287,394,000	326,673,000	88.0%	39,279,000
12/31/2009	280,342,000	337,315,000	83.1%	56,973,000
12/31/2010	276,377,041	359,293,016	76.9%	82,915,975
12/31/2011	264,492,738	372,547,509	71.0%	108,054,771 (5)
12/31/2012	257,898,061	373,083,911	69.1%	115,185,850
12/31/2013	277,267,947	383,879,280	72.2%	106,611,333 (6)
12/31/2014	288,785,965	395,089,321	73.1%	106,303,356

(5) Reflects changes made to actuarial assumptions, based on Experience Study, including a reduction in the assumed return 8.0% to 7.8%.

(6) Reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively. AVA also reflects change in asset smoothing to immediately recognize all investment gains and losses prior to 12/31/2012.



## CITY OF LANSING

### INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Fax (517) 483-7630

## REPORT

<b>DATE:</b>	February 11, 2016
<b>TO:</b>	Committee on Ways & Means
<b>FROM:</b>	Jim DeLine, Internal Auditor
<b>RE:</b>	Review of Items Referred

### 1. General Fund Status Report for Second Quarter of Fiscal Year 2016

#### a. Revenues

##### i. Property Taxes

1. The budgeted revenue for property taxes is up by approximately \$0.5 million in FY 2016 and is on target to come in on budget.

##### ii. Income Taxes

1. Income taxes are budget to be almost \$1.0 million more than last year and are also on target to come in on budget.

##### iii. Total Actual Revenues received are \$1.23 million over last fiscal year at this time.

#### b. Expenses

##### i. Public Service

1. As Finance Director, Angela Bennett, points out, a couple areas within the Public Service Department were above budgetary expectations.
2. General Fund expenditures in the Public Service Department are running approximately \$375,000 higher than last year at this time.

##### ii. Public Safety

1. General Fund expenditures in both the Police and Fire Departments are running approximately \$900,000 higher than last year at this time.

##### iii. Impact on Vacancy Factor

1. No vacancy list provided

##### iv. Total Expenses are \$2.49 million over last fiscal year at this time.

#### c. Total General Fund revenues over expenses were \$10.31 million on December 31 this fiscal year and were \$11.57 million last fiscal year as of the same date, a decrease of \$1.26 million.

## **2. Wet Weather General Obligation Bond**

- a. As of June 30, 2015, the City's outstanding debt in business-type activities general obligation bonds was \$167.8 million, the lowest since June 30, 2007.
- b. As of June 30, 2015, the City's outstanding debt in governmental activities general obligation bonds was \$25.8 million, the lowest since June 30, 2009.

## **3. Financial Empowerment Carryforward Funds**

- a. These are funds were originally granted to Capital Area Community Services but were unspent and are now being granted to us. I'm not sure why this is called a carryforward.

## **4. Financial Empowerment Grant to serve Parks & Rec Part-Time / Temporary Employees**

- a. From Amber Paxton:
  - i. \$8,672 of this grant will be spent paying for the salary, fringe and mileage expense of Sruthi Naraharisetti in my office, who is running the program.
  - ii. There's also \$500 for gift card incentives for the youth workers, and \$228 for printing and supplies.
  - iii. Sruthi is partnering with Parks & Rec to deliver workshops, connect the young people to online financial education learning modules, and bring financial institutions to their workplace to encourage them to open a safe, affordable account and establish direct deposit.
  - iv. She will also deliver financial counseling to those who wish to receive it, in a personalized fashion.
  - v. We expect 100-150 participants.
  - vi. It is a new project but we have received money from CRCF in the past.

RESOLUTION # \_\_\_\_\_  
BY THE COMMITTEE ON WAYS AND MEANS  
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, The City of Lansing Mayor's Office / Office of Financial Empowerment received a Financial Empowerment Center Grant in 2013-2015 and

WHEREAS, The Financial Empowerment Center grant was a Bloomberg Philanthropies and Cities for Financial Empowerment (CFE) Fund grant and was awarded to select cities as a part of a competitive process; and

WHEREAS, The Financial Empowerment Center grant is designed to target the major financial challenges experienced by the Lansing population, focusing on residents unable to meet basic needs and residents facing barriers to affordable housing through financial counseling and education; and

WHEREAS, the Cities for Financial Empowerment (CFE) Fund awarded \$116,000.00 per year to the City of Lansing and \$384,000.00 per year to Capital Area Community Services for the duration of Three (3) years; and

WHEREAS, Capital Area Community Services underspent their portion of the grant by \$93,314.00 as of December 31, 2015; and

WHEREAS, the Cities for Financial Empowerment (CFE) Fund returned this \$93,314.00 to the City of Lansing for the purposes of contributing toward 2016 funding for the continuation of the City's Financial Empowerment Center.

NOW, THEREFORE, BE IT RESOLVED, The Lansing City Council approves acceptance of the Financial Empowerment Center carryforward funds in the total amount of \$93,314.00 for supporting the continuation of the Center.

BE IT FINALLY RESOLVED, The Administration is authorized to create appropriate accounts and to make the necessary operating transfers for the expenditure and control of the balance of the grant funds.

Approved for Placement on City Council Agenda

\_\_\_\_\_  
Janene McIntyre, City Attorney

Date: \_\_\_\_\_

BY THE COMMITTEE ON WAYS AND MEANS RESOLVED BY THE CITY  
COUNCIL OF THE CITY OF LANSING

WHEREAS, The City of Lansing will receive a Capital Region Community Foundation Grant for “Financial Capability for Youth Employment”; and

WHEREAS, the Capital Region Community Foundation grant was the result of a competitive proposal process, and a proposal was submitted by the Office of Financial Empowerment on September 1, 2015, approved on November 18, 2015, and will be paid in late February 2016; and

WHEREAS, The Capital Region Community Foundation grant supports providing financial education and access to safe, affordable bank accounts to youth ages 14-25 who are employed on a part-time, temporary basis by the City of Lansing Parks and Recreation Department; and

WHEREAS, Capital Region Community Foundation awarded \$9,400.00 to the City of Lansing’s Office of Financial Empowerment; and

WHEREAS, the award for \$9,400.00 does not require a local match;

NOW, THEREFORE, BE IT RESOLVED, The Lansing City Council approves acceptance of the Capital Region Community Foundation grant in the total amount of \$9,400.00 for the grant period beginning January 1, 2016 and ending December 31, 2016 for the City of Lansing.

BE IT FINALLY RESOLVED, The Administration is authorized to create appropriate accounts and to make the necessary operating transfers for the expenditure and control of the balance of the grant funds.

Approved for Placement on City Council Agenda

---

Janene McIntyre, City Attorney

Date: \_\_\_\_\_



Virg Bernero, Mayor

**OFFICE OF THE MAYOR**

9th Floor, City Hall  
124 W. Michigan Avenue  
Lansing, Michigan 48933-1694  
(517) 483-4141 (voice)  
(517) 483-4479 (TDD)  
(517) 483-6066 (Fax)

TO: City Council President Judi Brown Clarke and Councilmembers

FROM: Mayor Virg Bernero

DATE: 2-4-16

RE: Resolution—Authorizing Issuance of Wet Weather Control Program Limited Tax  
General Obligation Bond— Frances Park Pump Station Improvements Project

---

The attached correspondence is forwarded for your review and appropriate action.

VB/rh  
Attachment



**City of Lansing**  
**Inter-Departmental**  
**Memorandum**



To: Virg Bernero, Mayor

From: Chad A. Gamble, P.E., Director of Public Service

Subject: CITY COUNCIL AGENDA ITEM - Frances Park Pump Station Improvements

Date: February 4, 2016

---

Please forward this resolution to City Council for placement on the Agenda.

If you have any questions, or need additional information, please give me a call.

**Attachments**



**CITY OF LANSING**  
**(Ingham and Eaton Counties, Michigan)**

**Resolution No. 2016-31**

**RESOLUTION TO AUTHORIZE ISSUANCE OF  
WET WEATHER CONTROL PROGRAM  
LIMITED TAX GENERAL OBLIGATION BOND, SERIES 2016**

WHEREAS, the State of Michigan Department of Environmental Quality (the “DEQ”) has issued Administrative Consent Order No. ACO-SW02-030 (the “ACO”) requiring the City of Lansing (the “City”) to abate sanitary sewer overflows from the City’s sanitary sewage collection system; and

WHEREAS, Act 320, Public Acts of Michigan, 1927, as amended, repealed and recodified by Part 43 of Act 451, Public Acts of Michigan, 1994, as amended (“Act 451”) enables a City to issue and sell bonds to finance construction of improvements required by a permit or order issued by the DEQ; and

WHEREAS, the DEQ and the City have agreed to implement the Wet Weather Control Program State Revolving Fund Project Plan, as amended (the “Wet Weather Control Program Project Plan”), in compliance with the ACO; and

WHEREAS, the City desires to finance the Frances Park Pump Station Improvements Project as further described in plans on file with the City (the “Improvements”), which Improvements are related to the Wet Weather Control Program Project Plan and which are required by the ACO; and

WHEREAS, the City has been offered funding for the Improvements from the State Revolving Fund program (the “SRF Program”), which is a low-interest loan financing program administered by the Michigan Department of Treasury and the Michigan Finance Authority (the “Authority”); and

WHEREAS, in order to obtain loans from the SRF Program, the City must issue bonds and, on December 16, 2015, pursuant to Section 5(g) of Act 279, Public Acts of Michigan, 1909, as amended, the City published in the *Lansing City Pulse* the “Official Notice to Electors and Taxpayers of the City of Lansing of Intent to Issue Bonds Secured by the Taxing Power of the City and Right of Referendum Thereon” (the “Notice of Intent”), which described bonds to be issued in one or more series in an aggregate principal amount not-to-exceed \$5,000,000 for the purpose of paying the costs of the Improvements; and

WHEREAS, to finance the cost of making the Improvements the City Council deems it necessary to borrow the sum of not to exceed \$5,000,000 and to issue its Wet Weather Control Program Limited Tax General Obligation Bond, Series 2016 therefor pursuant to the provisions of Act 451 (the “Bond”); and

WHEREAS, the City Council determines that it is necessary to authorize either the Chief Operating Officer or, in his absence, the Director of Finance (either, an “Authorized Officer”) to complete sale and delivery of the Bond as described in the Notice of Intent and within the limitations contained in this Resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED as follows:

NECESSITY. It is necessary for the public health, safety and welfare of the City to make the Improvements pursuant to the City’s Wet Weather Control Program Project Plan and issue the Bond pursuant to Act 451 to finance construction of the Improvements.

ESTIMATED COST - PERIOD OF USEFULNESS. The total cost of the Improvements, including the payment of engineer’s fees, legal and financial expenses and other expenses incident to the financing of the Improvements, which is estimated to be approximately

\$5,000,000 is hereby approved and confirmed, and the estimated period of usefulness of the Improvements is determined to be in excess of thirty (30) years.

APPROVAL OF CONTRACT DOCUMENTS. The City hereby approves the Purchase Contract between the City and the Michigan Finance Authority (the “Authority”), the Supplemental Agreement by and among the City, the Authority and the State of Michigan acting through the Department of Environmental Quality, and the Issuer’s Certificate (the “Contract Documents”) in such form as is approved by the Authorized Officer. The Authorized Officer and the Clerk, or any one or more of them, are authorized to sign the Contract Documents.

ISSUANCE OF BOND. To defray the cost of the Improvements, including legal, engineering, financial and other expenses, the City shall issue its bond known as the “Wet Weather Control Program Limited Tax General Obligation Bond, Series 2016” (the “Bond”) in the aggregate principal sum of not to exceed \$5,000,000, as finally determined by the Authorized Officer at the time of sale, or such lesser amount thereof as shall have been advanced to the City pursuant to the Contract Documents, pursuant to the SRF Program. The balance of the cost of the Improvements, if any, shall be paid by grants or funds appropriated by the City.

During the time funds are being drawn down by the City under the Bond, the Authority will periodically provide the City a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the City of its obligation to repay the outstanding principal amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of the Bond.

BOND TERMS. The Bond shall be issued as one fully registered manuscript bond, shall be sold and delivered to the Authority in any denomination. The Bond shall be dated the date of delivery to the Authority, or such other date approved by the Authorized Officer, and shall be payable on the dates determined by the Authorized Officer at the time of sale, provided the final maturity shall be no later than thirty years after the date of issuance. The Bond shall bear interest at the rate of two and 50/100 percent (2.50%) per annum as determined by the Authorized Officer, payable semiannually on the dates determined by the Authorized Officer at the time of sale. Notwithstanding the above, the final amount of any maturity and the terms of the Bond shall be as provided in the Contract Documents and will be finally determined by the Authorized Officer.

PAYMENT OF PRINCIPAL AND INTEREST. Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the person appearing on the Bond registration books as the registered owner thereof. Payment of principal on the Bond shall be made at the principal office of the Paying Agent (as defined below), upon surrender of the Bond. Payment of interest on the Bond shall be paid to the registered owner at the address as it appears on the registration books as of the determination date. Initially, the determination date shall be the date as of the fifteenth (15th) day of the month prior to the payment date for each interest payment; however, the determination date may be changed by the City to conform to market practice.

SECURITY. The City anticipates paying the principal of and interest on the Bond from funds lawfully available to the City for this purpose such as revenues derived from the operation of the City's sewage disposal system and ad valorem taxes pursuant to a pledge of the City's limited tax full faith and credit. The Bond shall be a limited tax general obligation of the City,

and the City hereby pledges its full faith and credit for the prompt payment of the principal of and interest on the Bond as and when due. Each year, the City shall include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. In the event there are insufficient moneys for the payment of principal of and interest on the Bond, the City shall levy a tax on all taxable property in the City for the prompt payment of principal and interest on the Bond; provided, however, that at the time of making any such annual tax levy, the City shall take into account in determining such annual tax levy other moneys available to pay principal of and interest on the Bond, including Net Revenues of the System, special assessments, or any other moneys available to the City. Taxes, if any, levied pursuant hereto shall be limited as to rate and amount by applicable, constitutional, statutory and charter limitations on the taxing power of the City.

PRIOR REDEMPTION. The Bond issued and sold to the Authority shall be subject to redemption prior to maturity by the City only with the prior written consent of the Authority and on such terms as may be required by the Authority.

PAYING AGENT AND REGISTRATION.

Appointment of Paying Agent. From time to time the City shall designate and appoint a Paying Agent, which may also act as transfer agent and bond registrar (the “Paying Agent”). The initial Paying Agent shall be designated by the Authorized Officer. In the event of a change in the Paying Agent, notice shall be given in writing, by certified mail, to each Registered Owner not less than sixty (60) days prior to the next interest payment date. The Paying Agent shall keep the official books for the recordation of the Registered Owners of the Bond.

Registration of Bond. Registration of the Bond shall be recorded in the registration books of the City to be kept by the Paying Agent. The Bond may be transferred only by submitting the same, together with a satisfactory instrument of transfer signed by the Registered Owner or the Registered Owner's legal representative duly authorized in writing, to the Paying Agent, after which a new Bond or Bonds shall be issued by the Paying Agent to the transferee (new registered owner) in any denomination, in the same aggregate principal amount as the Bond submitted for transfer. No transfer of Bonds shall be valid unless and until recorded on the bond registration books in accordance with the foregoing. The person in whose name any bond is registered may for all purposes, notwithstanding any notice to the contrary, be deemed and treated by the City and the Paying Agent as the absolute owner thereof, and any payment of principal and interest on any Bond to the Registered Owner thereof shall constitute a valid discharge of the City's liability upon such Bond to the extent of such payment. No Bond shall be transferred less than fifteen (15) days prior to an interest payment date nor after the Bond has been called for redemption.

Authority's Depository. Notwithstanding any other provision of this Resolution or the Bond, so long as the Authority is the owner of the Bond, (i) the Bond is payable as to principal and interest at The Bank of New York Mellon Trust Company, N. A., or at such other place as shall be designated in writing to the City by the Authority (the "Authority's Depository"); (ii) the City agrees that it will deposit with the Authority's Depository payments of the principal of and interest on the Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the City's deposit by 12:00 noon on the scheduled day, the City shall immediately pay to the Authority as

invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment; and (iii) written notice of any redemption of the Bond shall be given by the City and received by the Authority's Depository at least 40 days prior to the date on which such redemption is to be made.

SALE OF BOND. The Bond shall be sold to the Authority. The City determines that a negotiated sale to the Authority is in the best interest of the City because the terms offered by the Authority are more favorable than those available from other sources of funding.

BOND FORM. The Bond shall be substantially in the form attached hereto as Exhibit A, and incorporated herein, with such changes as may be required by the Authority or as recommended by the City's Bond Counsel and approved by the officers of the City signing the Bond.

EXECUTION OF BOND. The Mayor and the Clerk of the City are hereby authorized and directed to sign the Bond, either manually or by facsimile signature, on behalf of the City. Upon execution, the Bond shall be delivered to the Authority in accordance with the Contract Documents.

BOND MUTILATED, LOST OR DESTROYED. If any Bond shall become mutilated, the City, at the expense of the holder of the Bond, shall execute, and the Paying Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Paying Agent of the mutilated Bond. If any Bond issued under this Resolution shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the Paying Agent and, if this evidence is satisfactory to both the City and the Paying Agent and indemnity satisfactory to the Paying Agent shall be given, the City, at the expense of the owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new

Bond of like tenor, which shall bear the statement required by Act No. 354, Public Acts of Michigan, 1972, as amended, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Paying Agent may pay the same without surrender thereof.

BOND PAYMENT FUND. For payment of principal of and interest on the Bond, there shall be established and maintained a debt service fund for the Bond (the “Bond Payment Fund”). The accrued interest, if any, and capitalized interest, if any, received at the time of delivery of the Bond shall be placed into the Bond Payment Fund. The City shall budget annually a sufficient amount to pay the annual principal of and interest on the Bond and deposit such amount in the Bond Payment Fund as needed to make payments of principal and interest as they become due. The obligation of the City to pay the principal of and interest on the Bond will be a first budget obligation. Moneys in the Bond Payment Fund shall be expended solely for payment of principal and interest on the Bond which first come due. Any moneys remaining in the Bond Payment Fund after the annual payments of principal of and interest on the Bond shall be transferred to the Sewer Fund or the General Fund and shall no longer be pledged hereunder.

CONSTRUCTION FUND. Prior to delivery and sale of the Bond, there shall be established a construction fund for the Project (the “Construction Fund”). After deducting the sums which are required to be deposited in the Bond Payment Fund, the balance of the proceeds of the Bond shall be deposited into the Construction Fund. The moneys on deposit in the Construction Fund from time to time shall be used solely for the purpose for which the Bond was issued. Any unexpended balance shall be used for such purposes as allowed by law. Any moneys remaining in the Construction Fund after payment of all such costs shall be transferred



to the Bond Payment Fund or may be returned to the Authority. After completion of the Improvements and disposition of any remaining bond proceeds, pursuant to the provisions of this Section, the Construction Fund shall be closed.

The appropriation of moneys for “eligible” (not to exceed the maximum Principle Amount of the Bond) and “ineligible” costs of the improvements (as those terms are defined by the Authority and DEQ) is hereby approved. Said moneys shall be used solely for the purposes of making improvements included in the Wet Weather Control Program Project Plan approved by the DEQ, and ancillary related expenses.

INVESTMENT OF FUNDS. Moneys in the funds and accounts established herein may be invested by the City as allowed by law, subject to the provisions of Act 20, Public Acts of Michigan, 1943, as amended, or any statute subsequently adopted regulating investments by the City, and subject to the limitations imposed by arbitrage regulations and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (collectively the “Code”).

DEPOSITORY AND FUNDS ON HAND. Moneys in the several funds and accounts maintained pursuant to this Resolution may be kept in one or more accounts at financial institutions designated by resolution of the City, and if kept in one account, the moneys shall be allocated on the books and records of the City in the manner and at the times provided in this Resolution.

COVENANTS. The City covenants and agrees with the successive holders of the Bond that so long as any of the Bond remains outstanding and unpaid as to either principal or interest:

It will cause the principal of and interest on the Bond to be paid promptly when due, but solely from the funds pledged by this Resolution.

It will make no use of the proceeds of the Bond, or any other funds which may be deemed to be proceeds of the Bond pursuant to Section 103(c) of the Code which, if the use had been reasonably expected on the date of issuance of the Bond, would have caused the Bond to be “arbitrage bonds” within the meaning of that Section, and will comply with all requirements of the Code throughout the term of the Bond.

It will not permit at any time or times any of the proceeds of the Bond or any other funds of the City to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code, as from time to time amended.

It will, if required to do so, rebate the amount required by Section 148(f)(2) of the Code in accordance with the provisions of Section 148(f)(3) of the Code.

ADDITIONAL BONDS. In accordance with the provisions of Act 34, the City reserves the right to issue additional bonds, which shall be of equal standing and priority with the Bond.

CONTRACT WITH BONDHOLDERS. The provisions of this Resolution shall constitute a contract between the City and the holder or holders of the Bond from time to time, and after the issuance of any of such Bond, no change, variation or alteration of the provisions of this Resolution may be made which would lessen the security for the Bond. The provisions of this Resolution shall be enforceable by appropriate proceedings taken by such holder or holders, either at law or in equity.

AUTHORIZED OFFICER: Either the City’s Chief Operating Officer or, in his absence, the Director of Finance (either, the “Authorized Officer”) is hereby designated, for and on behalf of the City, to do all acts and to take all necessary steps required to effectuate the sale, issuance and delivery of the Bond to the Authority. The Authorized Officer is hereby authorized to

execute and deliver the Contract Documents in such form as the Authorized Officer shall approve. Notwithstanding any other provision of this Resolution, the Authorized Officer is authorized within the limitations of the resolution to determine the specific interest rate or rates to be borne by the Bond, not exceeding 3% per annum, the principal amount, interest payment dates, dates of maturities, and amount of maturities, redemption rights, the title of the Bond, date of issuance, and other terms and conditions relating to the Bond and the sale thereof provided, however, the last annual principal installment shall not be more than thirty years from the date of the Bond. The Authorized Officer's approval of the terms shall be evidenced by his or her signature on the document or agreement stating such terms. The Authorized Officer is hereby authorized for and on behalf of the City, without further City Council approval, to do all acts and take all necessary steps required to effectuate the sale, issuance, and delivery of the Bond. The Authorized Officer, together with the Mayor, the Clerk, and other proper officers and employees of the City, or any one or more of them, are authorized to take any actions necessary to comply with requirements of the Authority and DEQ in connection with the sale of the Bond to the Authority, and to execute any orders, receipts, agreements, pledge agreements, documents or certificates necessary or convenient to complete the transaction, including, but not limited to, any issuer's certificate, any certificates relating to federal or state securities laws, rules or regulations, any applications to the Michigan Department of Treasury, and any revenue sharing pledge agreement. The City hereby approves the Issuer's Certificate in such form as is approved by the Authorized Officer.

DEFEASANCE. In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at

times and in amounts sufficient to pay at maturity or irrevocable call for earlier optional or mandatory redemption, the principal of and interest on the Bond, shall be deposited in trust, this Resolution shall be defeased and the owners of the Bond shall have no further rights under this Resolution except to receive payment of the principal of and interest on the Bond from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange bonds as provided herein.

INTERNAL REVENUE CODE. The City has consulted with its bond counsel and understands that the Code contains certain requirements on (i) the expenditure of proceeds from the sale of the Bond, (ii) the investment of the proceeds from the issuance of the Bond and (iii) the rebate of interest earned on the investment of the proceeds of the Bond under certain circumstances. The City hereby covenants to comply with such requirements.

BOND COUNSEL. The engagement of the firm of Dickinson Wright PLLC as bond counsel to the City in connection with the issuance of Bond is hereby ratified, confirmed and approved.

RESOLUTION SUBJECT TO MICHIGAN LAW. The provisions of this Resolution are subject to the laws of the State of Michigan.

SECTION HEADINGS. The section headings in this Resolution are furnished for convenience of reference only and shall not be considered to be a part of this Resolution.

SEVERABILITY. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Resolution.

CONFLICT. Except as provided above, all resolutions or parts thereof, insofar as the same may be in conflict herewith, are hereby repealed; provided, that the foregoing shall not

operate to repeal any provision thereof, the repeal of which would impair the obligation on the Bond.

EFFECTIVE DATE OF RESOLUTION. This Resolution is determined by the City Council to be immediately necessary for the preservation of the peace, health and safety of the City and shall be in full force and effect from and after its passage.

**EXHIBIT A**

NO. \_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTIES OF INGHAM AND EATON  
CITY OF LANSING  
WET WEATHER CONTROL PROGRAM  
LIMITED TAX GENERAL OBLIGATION BOND, SERIES 2016**

**Interest Rate**

**Maturity Date**

**Date of Original Issue**

---

Registered Owner: MICHIGAN FINANCE AUTHORITY

Principal Amount:

---

The City of Lansing, Ingham and Eaton Counties, Michigan (the “City”), acknowledges itself indebted and, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, the amounts and on the Dates of Maturity set forth on Schedule I attached hereto, together with interest thereon from the dates of receipt of such funds, or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on \_\_\_\_\_ and semiannually thereafter on the first day of April and October of each year, except as the provisions hereinafter set forth with respect to redemption of this Bond prior to maturity may become applicable hereto.

The City promises to pay to the Michigan Finance Authority (the “Authority”) the principal amount of this Bond or so much thereof as shall have been advanced to the City pursuant to a Purchase Contract between the City and the Authority and a Supplemental Agreement by and among the City, the Authority and the State of Michigan acting through the Department of Environmental Quality.

During the time funds are being drawn down by the City under this Bond, the Authority will periodically provide the City a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the City of its obligation to repay the outstanding principal amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this Bond.

Notwithstanding any other provision of this Bond, so long as the Authority is the owner of this Bond, (a) this Bond is payable as to principal and interest at The Bank of New York Mellon Trust Company, N. A., or at such other place as shall be designated in writing to the City by the Authority (the "Authority's Depository"); (b) the City agrees that it will deposit with the Authority's Depository payments of the principal of and interest on this Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the City's deposit by 12:00 noon on the scheduled day, the City shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this Bond shall be given by the City and received by the Authority's Depository at least 40 days prior to the date on which such redemption is to be made.

This Bond being one fully registered manuscript bond is issued in accordance with the provisions of Part 43 of Act 451, Public Acts of Michigan, 1994, as amended ("Act 451"), and a resolution adopted by the City Council of the City on \_\_\_\_\_, 2016, for the purpose of paying a portion of the cost of purchasing, acquiring and constructing sanitary sewer improvements (the "Improvements") as part of the Wet Weather Control Program State Revolving Fund Project Plan, as amended, in compliance with Michigan Department of Environmental Quality Administrative Consent Order No. ACO-SW02-030.

The City has pledged the limited tax, full faith, credit and resources of the City for the prompt payment of the principal of and interest on the Bond, in which event the City may levy a tax on all taxable property in the City for the payment of principal and interest on the Bond, which tax shall be limited as to rate and amount by applicable constitutional, statutory and charter limitations on the taxing power of the City. The City reserves the right to issue additional bonds in accordance with the provisions of Act 451 or other applicable law which shall be of equal standing and priority with the Bond.

This Bond is subject to redemption prior to maturity by the City only with the prior written consent of the Authority and on such terms as may be required by the Authority.

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the Authority's cost of providing funds (as determined by the Authority) to make payment on the bonds of the Authority issued to provide funds to purchase this Bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the City's default. Such additional interest shall be payable on the interest payment date following demand of the Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Authority) the investment of amounts in the reserve account established by the Authority for the bonds of the Authority issued to provide funds to purchase this Bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the Authority issued to fund such account, the City shall and hereby agrees to pay on demand only the City's pro rata share (as determined by the Authority) of such deficiency as additional interest on this Bond.

It is hereby certified and recited that all acts, conditions and things required by law, precedent to and in the issuance of this Bond, exist and have been done and performed in regular and due time and form as required by law and that the total indebtedness of the City including this Bond, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Lansing, Ingham and Eaton Counties, Michigan, by its City Council, has caused this Bond to be signed, by the manual or facsimile signatures of its Mayor and Clerk, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Virg Bernero, Mayor

\_\_\_\_\_  
Chris Swope, Clerk



### ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(please print or type social security number or taxpayer identification number and name and address of transferee)

the within bond and all rights thereunder, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

In the presence of: \_\_\_\_\_

**Notice:** The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his authority to act must accompany the bond.

Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guaranty program.

Signature Guaranteed: \_\_\_\_\_

## SCHEDULE I

**Name of Issuer**                      **CITY OF LANSING**  
**DEQ Project No:**                **5581-01**  
**DEQ Approved Amount:**

### **SCHEDULE I**

Based on the schedule provided below, unless revised as provided in this paragraph, repayment of principal of the Bond shall be made until the full amount advanced to the Issuer is repaid. In the event the Order of Approval issued by the Department of Environmental Quality (the "Order") approves a principal amount of assistance less than the amount of the Bond delivered to the Authority, the Authority shall only disburse principal up to the amount stated in the Order. In the event (1) that the payment schedule approved by the Issuer and described below provides for payment of a total principal amount greater than the amount of assistance approved by the Order or (2) that less than the principal amount of assistance approved by the Order is disbursed to the Issuer by the Authority, the Authority shall prepare a new payment schedule that shall be effective upon receipt by the Issuer.

<u>Due Date</u>	<u>Amount of Principal Installment Due</u>
-----------------	--

Interest on the Bond shall accrue on that portion of principal disbursed by the Authority to the Issuer from the date principal is disbursed, until paid, at the rate of 2.50% per annum, payable \_\_\_\_\_ 1, 20\_\_, and semiannually thereafter.

The Issuer agrees that it will deposit with The Bank of New York Mellon Trust Company, N. A., or at such other place as shall be designated in writing to the Issuer by the Authority (the "Authority's Depository") payments of the principal of and interest on this Bond in immediately available funds by 12:00 p.m. (noon) at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. In the event that the Authority's Depository has not received the Issuer's deposit by 12:00 p.m. (noon) on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment.

YEAS: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Chris Swope, City Clerk  
City of Lansing

STATE OF MICHIGAN    )  
                                  ) SS  
COUNTY OF INGHAM    )

I, Chris Swope, the duly qualified and acting Clerk of the City of Lansing, Ingham and Eaton Counties, Michigan (the “City”) do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a meeting held on \_\_\_\_\_, 2016, the original of which is on file in my office. Public notice of said meeting was given pursuant to and in compliance with Act No. 267, Public Acts of Michigan, 1976, as amended.

IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Chris Swope, City Clerk  
City of Lansing



Virg Bernero, Mayor

**OFFICE OF THE MAYOR**

9th Floor, City Hall  
124 W. Michigan Avenue  
Lansing, Michigan 48933-1694  
(517) 483-4141 (voice)  
(517) 483-4479 (TDD)  
(517) 483-6066 (Fax)

TO: City Clerk Chris Swope  
FROM: Mayor Virg Bernero  
DATE: January 29, 2016  
RE: FY 2016 2nd Quarter General Fund Status Report

---

Pursuant to Section 7-110 of the City Charter, attached please find the General Fund Status Report for the second quarter of Fiscal Year 2016.

RECEIVED  
2016 JAN 29 PM 4:11  
LANSING CITY CLERK

## General Fund Status Report – FY 2016 2nd Quarter

Please see accompanying summary detail (page 3)

### Revenues

In total, General Fund revenues collected in the first quarter of Fiscal Year 2016 (July – December) were ahead of the past three years' December 31 collection rates, as a percentage of year-end amounts, at 57.0% compared to 54.2%.

- The vast majority of **Property Taxes** are collected in the first month of the fiscal year. At the end of the first half of the fiscal year, they were equal, as a percentage of budget, to the average of the past three year's first December 31 collection rates. While collections exceed budget at this time of year, they are subject to tax appeals and other adjustments throughout the remainder of the year.
- As a percentage of budget, **Income Tax** collections were higher than the average collection rate for the past three years, at 34.1% of budget, compared to 32.5%. While it should be noted that income tax revenues fluctuate from previous point-in-time trends due to timing differences in remittances, the income tax revenues have been strong the entire first half of the year.
- As of December 31, **State Revenue Sharing** and Fire Protection/Bad Driver Fees were slightly ahead of projections. However, State sales tax revenue projections, on which revenue sharing is based, are projected to come in less than had been anticipated by the State. Current State projections for payment to the City are approximately \$400,000 less than was budgeted for this fiscal year.
- **Charges for Services** were ahead of collection rates from the average of the same period for the last three years, at 46.0% of budget compared to 44.7% in prior years. While the December 31 trend is higher than the average of the last-three-year trend, they were on par with last year's trend.
- In total, **Licenses and Permits** revenues were also on par with the average collection rate of the same period for the last three years as a percentage of year-end totals, at 26.2% of budget, compared to 26.1%. Licenses and permits make up only 1.5% of General Fund revenues.
- Collection rates for **Fines and Forfeiture** for the first half of the fiscal year were higher as a percentage of year-end totals for the average of the last three years, at 48.1% of the budget compared to 40.3%, due to higher penal case and ordinance fine revenues.
- The City's **Return on Equity** payment from the Board of Water and Light (BWL), was on par with expectations, at 50.9% of budgeted revenues collected as of December 31. From a trend standpoint, December 31 revenues were higher than the average of the past three years; however that variance is due to a significant change in payment timing with the most recent agreement which took effect two years ago.
- As a category, **Interest and Rents** were only slightly behind previous years' trends. Interest revenue is posted as investments mature, the timing of which varies from year-to- year.

### **Expenditures**

In total, taking into account the vacancy factor, expenditures for General Fund operating departments (excluding debt service and transfers to other funds) were somewhat under the budgetary target, at 46.2% as of December 31, compared to a budgetary target (taking into expected expenditure patterns such as payroll timing) of 46.8%. All departments were within budgetary targets as of December 31 (again, taking into account expected expenditure patterns), with the exception of Public Service, where building maintenance costs and street lighting costs were above budgetary expectations.

It should be noted that no General Fund expenditures were incurred for the Financial Empowerment Center, because that program continues to be covered by grant funding through December 31, 2015.

### **Summary**

Through December 31, total General Fund revenues and expenditures were meeting budgetary expectations.

## 2nd Quarter General Fund Status Report – FY 2016 (as of December 31, 2015)

Revenues	Annual Budget	Actual as of 12/31/15	Percent of Budget	Avg. Percent of Year-End Actuals as of December 31 FY 2013 - 2015
Property Taxes	\$ 38,090,000	\$ 37,429,791	98.3%	98.7%
Income Taxes	32,150,000	10,974,841	34.1%	32.5%
Revenue Sharing	15,738,000	3,705,601	23.5%	21.7%
Licenses & Permits	1,574,500	411,961	26.2%	26.1%
Charges for Services	8,615,400	3,964,421	46.0%	44.7%
Fines & Forfeitures	2,542,100	1,223,896	48.1%	40.3%
Interest & Rent	36,500	25,000	68.5%	70.6%
Return on Equity	22,000,000	11,201,834	50.9%	33.7%
Other Revenue	353,500	140,340	39.7%	37.3%
Total Revenues	\$ 121,100,000	\$ 69,077,686 <sup>(1)</sup>	57.0%	54.2%
Less: Addition to Reserves	(500,000)			
	<u>\$ 120,600,000</u>			

Expenditures	Annual Budget	Actual as of 12/31/15	Percent of Budget	Target, Including Vacancy Factor
Council	\$ 708,400	\$ 296,691	42.0%	
Internal Audit	209,200	98,660	47.2%	
Courts	6,313,200	2,727,285	43.2%	
Mayor's Office	1,130,100	470,578	41.6%	
Media Center	394,200	171,358	43.5%	
Financial Empowerment Center	60,000	-	0.0%	
Clerk's Office	1,060,000	521,156	49.2%	
Planning & Neighborhood Development	910,600	419,994	46.1%	
Finance	5,192,600	2,106,367	40.6%	
Human Resources	2,052,900	686,691	33.4%	
Attorney's Office	1,915,800	749,024	39.1%	
Vacancy Factor	(800,000)	-	0.0%	
Police	37,801,800	17,196,885	45.5%	
Fire	33,840,200	15,716,594	46.4%	
Public Service	10,373,700	5,658,909	54.6%	
Human Relations & Community Service	1,128,200	467,268	41.4%	
Parks & Recreation	7,891,400	3,603,478	45.7%	
Subtotal - Departmental Budgets	\$ 110,180,300	\$ 50,890,938	46.2%	46.8%
Human Services & City Supported Agencies	\$ 1,851,400	\$ 1,072,165	57.9%	
Library Lease	165,000	72,030	43.7%	
Debt Service	1,007,100	140,075	13.9%	
Transfers	7,396,200	6,592,735	89.1%	
Subtotal - Non-departmental Budgets	10,419,700	7,877,005		
Total General Fund	<u>\$ 120,600,000</u>	<u>\$ 58,767,943</u> <sup>(1)</sup>		

Please see Pages 1 and 2 for an explanation of revenues and expenditures.

<sup>(1)</sup> Note: Year-to-date revenue is always greater than expenditures at this time of year as property taxes, accounting for 31% of General Fund revenues, are collected at the beginning of the year. Property taxes include delinquent amounts that will be reimbursed by the counties upon settlement. Property tax collections exceed budget at this time of year, but are subject to tax appeals and other adjustments throughout the year.



## **CITY OF LANSING**

**INTERNAL AUDITOR**  
124 W MICHIGAN AVE FL 10  
LANSING MI 48933-1605  
(517) 483-4159  
Fax (517) 483-7630

### **REVIEW AND RECOMMENDATIONS ON STRUCTURE, POLICIES AND PROCEDURES FOR THE CITY OF LANSING OFFICE OF THE INTERNAL AUDITOR**

#### **■ FOLLOW-UP REGARDING REPORTS**

Jim DeLine  
Internal Auditor  
January 14, 2016

- I. Policies and Procedures for Reports
  - a. Annual Reports
    - i. The required Analysis of the Financial Status of the City will be compiled as soon as possible after the submission to the State of Michigan of the City's Comprehensive Annual Financial Report (CAFR).
    - ii. As soon as possible after publishing the Financial Status of the City, the Internal Auditor will update Councilmembers on the City's Long Term Debt.
    - iii. Analysis of the Capital Improvement Plan is provided in conjunction with the budget process.
  - b. Cash Audits
    - i. Cash Audit Checklist
      - 1. Currently in use.
    - ii. Cash Audit Form
      - 1. Currently in use.
  - c. Performance Audits
    - i. Definition of "Performance Audit"
      - 1. Performance audit refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.
        - a. Performance Auditing Definition (Feb 2014) INTOSAI and GAO.
      - 2. Definition also to be provided from the City Attorney.



ii. Audit Plan

1. Prior to the start of a performance audit, an audit plan should be developed for the project.
2. The Audit Plan is to include:
  - a. Audit methodology most suited to the operations being audited.
  - b. Expected time frame for steps within the proposed methodology to be conducted.
  - c. The format and general content of the report to be prepared.

iii. Field Work

1. Review of like operations in municipalities similar to Lansing.
2. Review of benchmarks available for like operations.
3. Interviews conducted.
  - a. Have interview summaries reviewed by the interviewee for accuracy / need for follow-up.
4. Conduct on site visits to operations discussed in the interviews.

iv. Draft Report

1. Reviewed by Department Head of unit audited
  - a. In preparation for issuance of a final report, the appropriate Department Head of the unit being audited will be given a draft copy of the report.
  - b. The Department Head of the unit being audited may gather input on the draft from the Director of Finance or other members of the Administration as they feel appropriate.
  - c. Within ten business days of being presented with the draft, the Department Head of the unit will submit, in writing, any or all of the following:
    - i. Items in the draft believed to be factually in error
    - ii. Items in the draft believed to be interpreted incorrectly
    - iii. Responses to recommendations made in the draft
  - d. Following receipt of the written comments, the Internal Auditor will meet with the Department Head or their representative to discuss same and potential action plans if any.
  - e. These written comments may or may not be cause for changes in the draft prior to publication.
  - f. These written comments will be included in the final report. See below.

v. Final Report

1. Definition of "Final Report"

- a. The City Attorney has agreed to issue a formal legal opinion as to the definition of a Final Report for purposes of this document. This document will remain in draft form until receipt of that legal definition.

2. Format

- a. Background / Research
  - i. Include objectives and scope
- b. Analysis
  - i. Include conclusions
  - ii. Include relationship to strategic goals and performance measures
- c. Recommendations
  - i. Include action plans
- d. Comments from head of unit audited and / or Finance Director.

3. Distribution

- a. Presented to appropriate Council Committee and Department Head of unit audited.
- b. Placed on file with Mayor and City Clerk
- c. Distribute to each Councilmember.